Pharmaceutical Industry: Sales & Use Tax Recovery

The pharmaceutical sector, encompassing pharmaceutical companies, biotech firms, and Contract Research Organizations (CROs), faces unique challenges regarding sales and use tax recovery. TaxMatrix has extensive experience assisting businesses in this industry to navigate these complexities.

Key Areas for Tax Recovery:

- **Research & Development (R&D):** Purchases related to R&D activities may qualify for sales tax exemptions, depending on state laws.
- **Manufacturing Equipment:** Equipment used in the manufacturing process can be eligible for sales tax exemptions.
- **Utilities:** Utilities consumed in manufacturing may be exempt, subject to apportionment or predominant use rules.
- **Production Supplies:** Items like tools, repair parts, and safety equipment used in production may qualify for exemptions.

Types of Pharmaceutical Companies:

1. **Research & Development Only:** Engaged solely in R&D activities.

2. **R&D for Other Companies:** Provides R&D services to other entities.

3. **Pharmaceutical Manufacturing:** Involved in the production of pharmaceutical products.

4. **Manufacturing for Other Companies:** Provides manufacturing services to other entities.

Considerations:

- **State-Specific Exemptions:** Exemption eligibility varies by state and may require specific registrations or documentation.

- **Separation of Activities:** Combining R&D and manufacturing activities under one roof may offer broader exemption opportunities.

- **Utility Studies:** Conducting utility studies can substantiate claims for utility exemptions.

TaxMatrix offers a success-based refund review service, ensuring no upfront costs for businesses seeking to recover overpaid sales and use taxes.